Property

Preferred Plays On Industrial Demand And Singapore Exposure

OVERWEIGHT
(Maintained)

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Highlights

- Rising costs are inevitable as Iran the conflict prolongs, with our sensitivity analysis suggesting a 4-8% impact to earnings, assuming no cost pass-through.
- Maintain OVERWEIGHT on the sector's palatable valuations at 0.9x forward P/B (+0.5SD above mean), supported by: a) robust industrial momentum, b) potential capital inflow to Singapore and Malaysia, especially after the onset of the Iran conflict, and c) asset monetisation catalysts through potential REIT listings.
- Top picks are: a) Eco World, supported by strong sales momentum and industrial landbanking activities, and b) IOIPG, supported by accelerated landbank monetisation and asset monetisation via a REIT listing.

Analysis

- **Potential rise in construction costs for new projects due to Iran conflict.** In view of the rising industrial diesel (>2x) and potential rise in construction costs after the onset of the Iran conflict, our checks with developers indicate: a) a likely rise in construction costs, while the quantum is uncertain at this stage, and b) some delays in awarding new construction contracts, due to the highly volatile situation. Nevertheless, ongoing contracts are unaffected as contractors are contractually bound to the contract rates.
- **Preliminary assessment indicates moderate earnings downside.** A typical construction and infrastructure cost for a residential project accounts for around 50% of total GDV, of which infrastructure cost takes up 5-10% of total GDV. Meanwhile, a typical industrial project usually yields much lower construction and infrastructure costs at 40-45%, given developers' stronger pricing power and lower building complexity. Our preliminary sensitivity analysis indicates a 4-8% downside to earnings, assuming: a) construction and infrastructure costs account for around 50% of revenue, b) a 5-10% rise in these costs, c) 25% exposure to newer projects, and d) no price hikes being factored in.
- **Developers with industrial exposure more resilient.** Under a cost pass-through scenario, developers may partially mitigate these cost pressures via higher launch prices. However, this may dampen demand as affordability weakens, particularly in price-sensitive segments. Developers with greater exposure to industrial segments, such as EcoWorld, IOIPG and Matrix, should be relatively more resilient, in our view. This is supported by stronger structural demand, with recent geopolitical tensions also lifting enquiry levels for factories/industrial lands in Malaysia.

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Eco World	ECW MK	BUY	2.08	2.70
IOIPG	IOIPG MK	BUY	3.47	4.00

Source: Bloomberg, UOB Kay Hian

Sector One-Year Forward PB At 0.9X

Source: Bloomberg

Sector Discount To Rnav At 44%

Source: NAPIC

KEY Assumptions

(%)	FY24	FY25	FY26F	FY27F
Revenue Growth	16.8	6.7	25.8	11.7
Net Profit Growth	33.9	(1.5)	16.4	23.2
Net Margin	14.0	12.9	11.9	13.2

Source: Respective companies, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 27 Mar 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2025A (x)	PE 2026E (x)	PE 2027E (x)	Yield 2026E (%)	ROE 2026E (%)	Market Cap. (RMm)	PB 2026E (x)
Eco World Development	ECW MK	BUY	2.08	2.70	29.8%	10/25	16.0	12.4	11.0	4.0	8.3	6,701	1.0
IOI Properties Group	IOIPG MK	BUY	3.47	3.80	15.3%	6/25	49.4	27.7	16.8	2.3	2.8	19,106	0.8
Lagenda Properties	LAGENDA MK	BUY	1.40	1.88	34.5%	12/25	8.8	5.7	4.6	5.9	18.0	1,165	1.0
Mah Sing Group	MSGB MK	BUY	1.02	1.42	39.6%	12/25	10.5	9.0	8.1	5.4	6.6	2,611	0.6
Matrix Concepts	MCH MK	BUY	1.30	1.70	30.8%	3/26	9.5	9.1	8.1	5.5	11.0	2,440	1.0
SP Setia	SPSB MK	BUY	0.88	1.22	39.1%	12/25	7.2	10.6	9.9	2.2	3.2	4,403	0.3
Sunway Bhd	SWB MK	HOLD	5.47	5.62	2.7%	12/25	32.0	29.2	25.0	1.4	7.5	36,980	2.2

Source: UOB Kay Hian

- **EcoWorld, IOIPG and Matrix are beneficiaries.** This is reflected in expanding industrial pipelines and landbanking activities, led by EcoWorld (strong take-up at EBP7 and ongoing expansion into EBP8 and EBP9), IOIPG (recent data centre land sale to Bridge Data Centre at Banting Industrial Park), and Matrix Concepts (accelerated MVV industrial launches), while Mah Sing expects around 5% of 2026 launches to come from its initial industrial developments at MS Industrial Park @ Kulai.
- **FY26 sales target up 9% yoy vs FY25 targets...** Developers under our coverage recorded total sales of RM20.9b in FY25 (+10% yoy), with domestic sales of RM18b (+6% yoy) accounting for 86% of total sales. Growth was driven by EcoWorld (+12% yoy), Sunway Bhd (+26% yoy), and Lagenda (+50% yoy), supported by strong township launches, industrial sales and overseas contributions. Looking ahead, developers have set a combined sales target of RM21.1b for FY26 (+9% vs FY25 target). While this implies broadly flattish growth (+1% yoy) against FY25 actual sales, excluding the more conservative targets from EcoWorld and SPSetia, the implied sales growth would be higher at around 11%.
- **…supported by an overall higher launch target.** Among companies that provided guidance, total launches are projected at RM21.6b (+17% yoy vs FY25 actual launches). In 2026, Sunway targets RM4.8b of launches (+45% yoy), supported by stronger launch activity in Johor and Singapore. Similarly, Mah Sing is planning RM3.45b of launches (+28% yoy), driven by new and existing M-Series developments, alongside initial industrial launches at MS Industrial Park @ Kulai. Meanwhile, Lagenda is targeting RM2.65b (+16% yoy) of launches, supported by Johor (Kulai and Kota Tinggi) and Kuantan, with 77% of units slated for 2H26. In contrast, SP Setia has set a more modest launch target of RM5.36b (+5% yoy), largely focused on domestic developments.

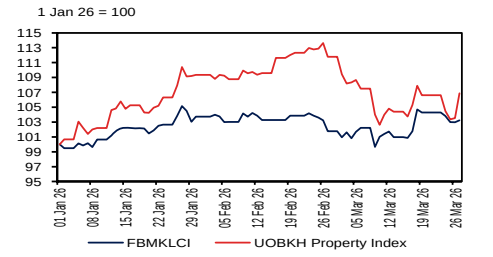
Valuation/Recommendation

- **Maintain OVERWEIGHT.** The sector's valuation has retraced from the recent peak in Feb 26 to: a) 0.9x 12-month forward P/B (0.5SD above 10-year mean of 0.8x) and, b) 44% discount to RNAV (0.5SD below 10-year mean of 50%), due to the ongoing Iran conflict. Nevertheless, we keep our OVERWEIGHT stance on the sector, supported by: a) robust industrial momentum across Johor, MVV2.0 and Selangor, especially after the onset of the Iran conflict, b) potential capital flight from Dubai to Singapore, and c) asset monetisation catalysts through potential REIT listings. Our top picks are Eco World and IOIPG. We also take this opportunity to cease coverage on UEM Sunrise due to reallocation of resources.
- **IOI Properties Group (IOIPG MK/BUY/Target: RM4.00).** We raise our target price from RM3.80 to RM4.00, as we narrow our discount to RNAV from 25% to 20%, due to faster landbank monetisation, which implies 0.9x FY27F P/B (+2SD to 10-year mean: 0.4x) and 19.4x FY27F PE. Furthermore, sales in Marina View have improved from five units as of end-Nov 25 to 15 units as of end-Mar 26, with recent transactions priced lower at S$2,600-2,800psf. IOIPG is well positioned to capitalise on the falling interest rates in Singapore, given its high gearing level. The group also has two REIT listings underway (in Malaysia and Singapore), which will help improve its balance sheet over time.

Sector Catalyst/Risk

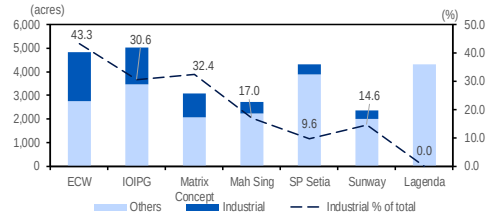
- Key sector risks: a) Unsuccessful execution of infrastructure- or property-related developments and negative newsflow, b) slower-than-expected take-up rates caused by macroeconomic uncertainty, c) spikes in building material costs, and d) impairments on receivables and completed inventories.

UOBKH Property Index Vs Klci Ytd



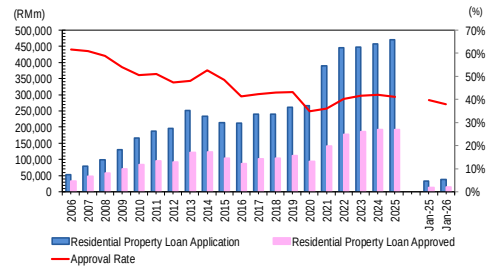
Source: CEIC, NAPIC, UOB Kay Hian

Industrial Landbank Exposure (Acres)



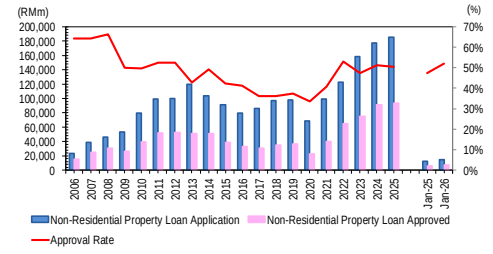
Source: CEIC, NAPIC, UOB Kay Hian

Residential Property Loan Applications



Source: CEIC, BNM, UOB Kay Hian

Non-Residential Property Loan Applications



Source: CEIC, BNM, UOB Kay Hian

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